

May 9, 2003

The Honorable Dianne Feinstein
United States Senate
331 Hart Senate Office Building
Washington, D.C. 20510

SUBJECT: Section 8 Housing Funds (S.947 and H.R. 1841)

Dear Senator Feinstein:

I am writing to voice the City of Santa Barbara's very serious concerns about the Bush Administration's proposal to "block grant" Section 8 housing voucher funds to state governments for administration and distribution. It is being offered legislatively as S.947 by Senator Allard and as H.R. 1841 by Congressman Neys. We believe that such a proposal would seriously undermine the voucher program and would harm the millions of low-income people assisted with housing vouchers.

In short, we do not believe that "block granting" these funds to state governments is the best way to realize full utilization nationwide. In fact, we are concerned that a block grant will actually cut usage in the voucher program.

Historically, block grants, like the one proposed by the Administration for the voucher program, do not keep up with inflation. The current voucher program is funded based on actual rental costs, so that as housing costs rise, so do subsidy levels. This makes sense in a program that strives to ensure that families can afford to rent safe and decent housing. In the past five years, rents have increased, on average, 25 percent, while the Consumer Price Index has risen by only 12 percent. The rent raises in California have been even higher. In Santa Barbara alone, we have witnessed rent increases of roughly 45% over the past 5 years. Even if funding under a block grant rises with inflation, it will not keep pace with rising housing costs, and state governments will not receive enough funding to continue providing assistance to all families in the voucher program. Under this scenario, state governments will be forced to cut the number of families served, serve higher income families, or provide shallower subsidies to families.

We are also concerned that state governments will not be able to respond as well to local market conditions affecting the use of housing vouchers. The voucher program is a local program, where local housing authorities must deal with local landlords, local code requirements, and local changes to the housing market. In fact, HUD Secretary Martinez has stated, "housing issues are predominantly local issues." In order to effectively run

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such a local program, state governments will, most likely, contract with local administrators. This will merely add another layer of administration to the program.

Landlords are particularly concerned that the block grant will lead to a reduction in voucher usage. In a letter to Secretary Martinez, dated February 25, 2003, the National Apartment Association, the National Association of Realtors, the National Leased Housing Association and other landlord organizations stated that apartment owners and managers look to uniformity and consistency of program rules and funding levels when deciding to participate as voucher landlords. HUD's proposal creates uncertainty in this regard, the result of which will have a chilling impact upon market participation in the program.

In addition, multifamily property owners often operate in multiple states. If each state creates its own program, it would necessitate the understanding of new rules created by up to 50 different administrators. Further, any shifting of federal funds to state block grants raises serious concerns about future funding availability, begging the question of why states would be interested in HUD's proposal.

Recent trends in utilization indicate that local housing authorities are on track to use almost all of their vouchers. In fact, in a survey of almost 40 percent of all authorized vouchers, utilization increased from 90 percent to over 96 percent last year, and according to HUD, utilization is expected to continue to rise in FY 2003 and FY 2004. We believe that the correct answer to achieving and maintaining 100% utilization in the voucher program (assuming that is the administration's true objective) lies in giving local housing authorities the flexibility to increase their payment standards where necessary, and most importantly, by reallocating unused vouchers to housing authorities that can assist families in need with those vouchers.

We look forward to working with you to preserve, improve (and maybe even expand) the housing voucher program, a program that helps almost 2 million low-income families across this nation afford decent and safe housing. Please remind your Congressional colleagues that affordable housing is a major need for low-income (and now middle income) Americans—particularly for those residing on either coast. The last thing we can afford to witness is the federal government's continued retreat from addressing this national problem. Thank you for your consideration of our comments.

Sincerely,

Marty Blum, Mayor

DG:hh

Cc: State of California, Governor Gray Davis
League of California Cities, Jessica Mullen
Robert G. Pearson, Executive Director, Housing Authority City of Santa Barbara
Jim Armstrong, City Administrator
David Gustafson, Housing and Redevelopment Manager
Don Olson, City Special Projects Manager
City Council Members